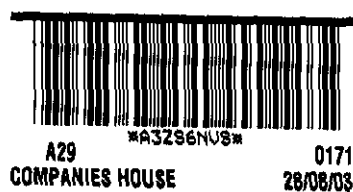


MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED

Report and Financial Statements

31 March 2003



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
M G Brown
A T Day
A B Horwood
D A Needs
N A Quintin
I R Stewart

SECRETARY

C K Ross

REGISTERED OFFICE

The Stable Block
Barley Wood
Wroughton
Bristol
BS40 5SA

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

AUDITORS

Deloitte & Touche
Bristol

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the management and provision of engineering maintenance services.

The company commenced trading in the previous year and its business has developed satisfactorily. The directors consider that the company is in a good position to continue that development.

On 1 October 2002 the remaining assets and liabilities of MITIE Engineering Maintenance (West) Limited were transferred into MITIE Engineering Maintenance (South West) Limited.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £102,685 (2002: loss of £86,107). The directors do not propose the payment of a dividend (2002: nil).

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D M Telling	
M G Brown	
A T Day	
A B Horwood	
I R Stewart	
D A Needs	(appointed 1 August 2002)
N A Quintin	(appointed 30 September 2002)

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS (continued)**

The interests of the directors and their families in the share capital of the company at the beginning and end of the financial year were:

	At 31 March 2003 £1 'B' ordinary shares No.	At 1 April 2002 £1 'B' ordinary shares No.
M G Brown	3,000	3,000
A T Day	20,000	20,000
A B Horwood	40,000	40,000
D A Needs	20,000	20,000
N A Quintin	20,000	20,000

No other director had a beneficial interest in the share capital of the company.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the shares of the ultimate parent company, MITIE Group PLC, were as follows:

	At 31 March 2003 2.5p Ordinary shares No.	At 1 April 2002 2.5p Ordinary shares No.
D A Needs	50,992	60,992
N A Quintin	56,119	49,160

Share Options

	At 1 April 2002	Granted during the period Options	Price	Exercise period From	To	Exercised during the period Options	Price	At 31 March 2003
D A Needs (i)	4,812	-	-	2005	2006	-	-	4,812
N A Quintin (i)	12,958	2,389	£1.10	2005	2008	4,600	£0.75	10,747

(i) Options under the Savings Related Option Scheme

Further details of the MITIE Group PLC Share Schemes are given in the accounts of that company.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2003 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 59 days (2002: 60 days).

In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

DIRECTORS' REPORT (continued)

EMPLOYEES

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their attitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

AUDITORS

Deloitte & Touche have informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time. All other large accountancy firms are, or are becoming, LLPs.

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'C K Ross', with a stylized flourish at the end.

C K Ross
Secretary

2 July 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MITIE ENGINEERING MAINTENANCE (SOUTH WEST) LIMITED**

We have audited the financial statements of MITIE Engineering Maintenance (South West) Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Bristol

3 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Notes	Continuing operations 2003 £	2002 £
TURNOVER	1	5,333,052	1,766,401
Cost of sales		(4,462,216)	(1,524,620)
GROSS PROFIT		870,836	241,781
Administrative expenses		(755,104)	(332,538)
OPERATING PROFIT/(LOSS)	2	115,732	(90,757)
Interest receivable	3	2,197	4,699
Interest payable	3	(10,667)	(49)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		107,262	(86,107)
Tax on profit/(loss) on ordinary activities	4	(4,577)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	10	102,685	(86,107)

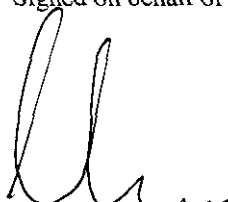
There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.

BALANCE SHEET
At 31 March 2003

	Notes	2003		2002	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		303,607		81,583
CURRENT ASSETS					
Work in progress	6	437,827		88,797	
Debtors	7	1,740,611		487,645	
Cash at bank and in hand		348,546		65,738	
		<u>2,526,984</u>		<u>642,180</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(2,414,013)</u>		<u>(409,870)</u>	
NET CURRENT ASSETS			<u>112,971</u>		<u>232,310</u>
NET ASSETS			<u>416,578</u>		<u>313,893</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	9		400,000		400,000
Profit and loss account	10		16,578		(86,107)
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>416,578</u>		<u>313,893</u>

These financial statements were approved by the Board of Directors on 2 July 2003.

Signed on behalf of the Board of Directors


M G Brown
Director

02/07/03.

CASH FLOW STATEMENT
Year ended 31 March 2003

	Notes	2003		2002	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	12		614,817		(247,609)
Returns on investments and servicing of finance					
Interest receivable		2,197		4,699	
Interest paid		(10,667)		(49)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(8,470)		4,650
Taxation					
UK corporation tax (paid)/ received			(10,144)		12,012
Capital expenditure					
Payments to acquire tangible fixed assets		(325,145)		(103,314)	
Proceeds from disposal of tangible fixed assets		11,750		-	
Net cash outflow from capital expenditure			(313,395)		(103,314)
Cash inflow/(outflow) before financing			282,808		(334,261)
Financing					
Issue of ordinary shares			-		399,999
Increase in cash in the year	14		282,808		65,738

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**1. ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. All turnover arises in the United Kingdom, from the company's principal activity.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment	2 to 10 years
Motor vehicles	4 years

Operating leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

2. OPERATING PROFIT/(LOSS) is stated after charging:	2003	2002
	£	£
Depreciation	90,739	21,732
Auditors' remuneration - audit services	3,230	2,870
Loss on disposal of tangible fixed assets	633	-
	<u> </u>	<u> </u>
 3. INTEREST	 2003	 2002
Interest receivable	£	£
Bank interest	2,134	4,699
Other interest	63	-
	<u> </u>	<u> </u>
	<u>2,197</u>	<u>4,699</u>
 Interest payable	 £	 £
Bank interest	10,667	49
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2003 £	2002 £
(a) Analysis of charge in year		
United Kingdom corporation tax at 30% (2002: 30%) (note 4(b))	12,022	-
Deferred taxation:		
Timing differences - origination and reversal	(7,187)	-
Adjustment in respect of prior years	(258)	-
Tax on profit/(loss) on ordinary activities	<u>4,577</u>	<u>-</u>

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are as follows:

	£	£
Profit/(loss) on ordinary activities before tax	<u>107,262</u>	<u>(86,107)</u>
	£	£
Tax at 30% thereon	32,179	(25,832)
Expenses not deductible for tax purposes	3,687	1,932
Capital allowances in excess of depreciation	7,274	(907)
Loss on disposal of tangible fixed assets	190	-
Movement in short-term timing differences	(6,759)	-
Utilisation of losses	<u>(24,549)</u>	<u>24,807</u>
Current tax charge for the year (note 4(a))	<u>12,022</u>	<u>-</u>

(c) Factors affecting future tax charges

The company is not aware of any matters that will materially affect the future tax charge.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

5. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2002	17,325	123,918	141,243
Additions	18,857	129,717	148,574
Transfers in	71,196	405,803	476,999
Disposals	(4,126)	(52,840)	(56,966)
At 31 March 2003	103,252	606,598	709,850
Depreciation			
At 1 April 2002	4,813	54,847	59,660
Charge for the year	12,762	77,977	90,739
Transfers in	52,339	248,089	300,428
Disposals	(3,666)	(40,918)	(44,584)
At 31 March 2003	66,248	339,995	406,243
Net book value			
At 31 March 2003	37,004	266,603	303,607
At 31 March 2002	12,512	69,071	81,583

Capital commitments

At 31 March 2003 the directors had authorised capital expenditure of nil (2002: nil).

6. WORK IN PROGRESS

	2003 £	2002 £
Work in progress	437,827	88,797

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

7. DEBTORS	2003	2002
	£	£
Trade debtors	1,649,349	339,682
Amounts owed by group undertakings	39,985	141,313
Other debtors	18,540	-
Prepayments and accrued income	3,357	6,650
Corporation tax	29,380	-
	<u>1,740,611</u>	<u>487,645</u>

Included within other debtors is a deferred tax asset of £7,445 which has been recognised at 31 March 2003 (2002: nil). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £7,445 (2002: nil).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2003	2002
	£	£
Trade creditors	1,309,915	269,277
Amounts owed to group undertakings	841,772	42,371
Corporation tax	1,072	12,012
Other taxes and social security costs	222,169	80,033
Other creditors	8,752	184
Accruals and deferred income	30,333	5,993
	<u>2,414,013</u>	<u>409,870</u>

9. CALLED UP SHARE CAPITAL	2003	2002
	£	£
Authorised		
300,000 £1 'A' ordinary shares	300,000	300,000
300,000 £1 'B' ordinary shares	300,000	300,000
	<u>600,000</u>	<u>600,000</u>
	£	£
Allotted and fully paid		
204,000 £1 'A' ordinary shares	204,000	204,000
196,000 £1 'B' ordinary shares	196,000	196,000
	<u>400,000</u>	<u>400,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

9. CALLED UP SHARE CAPITAL (continued)

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

10. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2002	(86,107)
Retained profit for the financial year	102,685
	<hr/>
At 31 March 2003	16,578
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit/(loss) for the financial year	102,685	(86,107)
Issue of shares	-	399,999
	<hr/>	<hr/>
Net addition to shareholders' funds	102,685	313,892
Opening shareholders' funds	313,893	1
	<hr/>	<hr/>
Closing shareholders' funds	416,578	313,893
	<hr/>	<hr/>

12. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit/(loss)	115,732	(90,757)
Depreciation charges	90,739	21,732
Loss on disposal of tangible fixed assets	633	-
Increase in work in progress	(349,030)	(88,797)
Increase in debtors	(1,258,391)	(487,645)
Increase in creditors	2,015,134	397,858
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	614,817	(247,609)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**13. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April 2002 £	Cash flow £	At 31 March 2003 £
Cash at bank and in hand	<u>65,738</u>	<u>282,808</u>	<u>348,546</u>

**14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

	2003 £	2002 £
Net funds at beginning of year	65,738	-
Increase in cash in the year	<u>282,808</u>	<u>65,738</u>
Net funds at end of year	<u>348,546</u>	<u>65,738</u>

15. FINANCIAL COMMITMENTS**Operating leases**

At 31 March 2003 the company had no annual commitments under non-cancellable operating leases (2002: nil).

Commitments on behalf of the group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2003, the overall commitment was nil (2002: nil).

16. DIRECTORS

	2003 £	2002 £
The emoluments of directors of the company were:		
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>150,809</u>	<u>113,223</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>4</u>	<u>2</u>

Messrs D M Telling and I R Stewart remunerated by MITIE Group PLC and Mr M G Brown is remunerated by MITIE Engineering Maintenance Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Maintenance (South West) Limited and their services as directors of other group companies.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**17. EMPLOYEES****Number of employees**

The average number of persons (including directors) employed by the company during the year was:

	2003	2002
	No.	No.
Site labour	71	33
Administration and management	10	6
	<u>81</u>	<u>39</u>
Employment costs	£	£
Wages and salaries	1,697,923	814,455
Social security costs	182,074	75,750
Other pension costs	47,791	13,232
	<u>1,927,788</u>	<u>903,437</u>

18. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 56.25% shareholder of MITIE Engineering Maintenance (South West) Limited.

During the year the company purchased goods and services from the following subsidiary companies of MITIE Group PLC and owed balances as at 31 March 2003 of:

	Purchases	Balance
	£	£
MITIE Air Conditioning (West) Limited	24,295	13,298
MITIE Cleaning (South West) Limited	39,629	425
MITIE Engineering Maintenance (West) Limited	5,886	-
MITIE Engineering Maintenance Limited	73,100	43,537
MITIE Property Services (Western) Limited	645	-
MITIE Roofing (South West) Limited	3,597	-

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**18. RELATED PARTY TRANSACTIONS (continued)**

During the year the company sold goods and services to the following subsidiary companies of MITIE Group PLC and was owed balances as at 31 March 2003 of:

	Sales £	Balance £
MITIE Group PLC	1,358	747
MITIE Air Conditioning (West) Limited	2,072	2,321
MITIE Cleaning (South West) Limited	228,111	11,076
MITIE Cleaning Limited	2,908	-
MITIE Engineering Maintenance (West) Limited	63,140	-
MITIE Engineering Maintenance Limited	213,408	25,878
MITIE Engineering Services (Bristol) Limited	1,577	3,190
MITIE Engineering Services (Retail) Limited	(195)	-
MITIE Engineering Services (South East) Limited	(1,912)	-
MITIE Engineering Services (South West) Limited	9,829	937
MITIE Property Services (Southern) Limited	3,624	555

19. PENSION ARRANGEMENTS

For the purposes of Financial Reporting Standard 17, the company has been unable to identify its share of the underlying assets and liabilities in the main group scheme, the MITIE Group Pension Scheme, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. As 31 March 2003, the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in the report and accounts of MITIE Group PLC.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is both the smallest and largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.